Postal Regulatory Commission Submitted 1/23/2015 3:07:42 PM Filing ID: 91214 Accepted 1/23/2015

## BEFORE THE POSTAL REGULATORY COMMISSION WASHINGTON, DC 20268-0001

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ANNUAL COMPLIANCE REPORT, 2014	)	Docket No. ACR2014
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## VALPAK DIRECT MARKETING SYSTEMS, INC. AND VALPAK DEALERS' ASSOCIATION, INC. MOTION FOR ISSUANCE OF INFORMATION REQUEST (January 23, 2015)

Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. (hereinafter "Valpak"), pursuant to Rule 3001.21(a), hereby move the Commission to issue an Information Request, seeking additional clarifying data and explanation from the Postal Service concerning the Standard Mail Flats product.

Valpak has reviewed the Postal Service's FY 2014 ACR, and has been unable to fully locate or understand certain required information. Valpak believes that obtaining this information would allow the Commission to evaluate properly Postal Service assumptions that processing of flats products will become profitable, as well as evaluating Postal Service compliance with, *inter alia*, 39 U.S.C. §§ 101(d), 3622 and 3691.

## **Proposed Questions for the Postal Service**

1. In the Postal Service's Partial Supplemental Information in Response to Order No. 2313 (Jan. 15, 2015), the Postal Service stated that "it is very difficult to predict when the shortfall [*i.e.*, subsidy] for Standard Mail Flats will be phased out," explaining that it is committed to increase Standard Mail Flats by at least CPI x 1.05 and that any estimate depends on regulatory changes the Commission might (or might not) make as part of pricing changes under 39 U.S.C. section 3622(d)(3). (Response at 3.) This answer is

similar to other answers provided in the past. *See*, *e.g.*, Docket No. ACR2013, Postal Service Response to ChIR No. 2, Question 1. Since this recurring response avoids, more than addresses, the Commission's question, please make certain simplifying assumptions in your response.

In responding to each of the following subsections, please assume no statutory or regulatory changes as a result of 39 U.S.C. § 3622(d)(3).

- a. What equal annual price increases for Standard Mail Flats would be needed to achieve 100 percent coverage within five years, assuming no additional increases in the unit costs of Standard Mail Flats?
- b. What equal annual price increases for Standard Mail Flats would be needed to achieve 100 percent coverage within five years assuming a 1.5 percent annual (CPI) increases in the unit costs of Standard Mail Flats?
- c. Please provide your best estimate as to when the Standard Mail Flats will achieve 100 percent coverage under the Postal Service's current approach and preferred timeline, assuming no additional increases in the unit costs of Standard Mail Flats.
- 2. Does the Postal Service consider it impossible to price Standard Mail Flats so as to completely eliminate its subsidy within five years? If so, please explain why it is impossible.
- 3. Please explain the Postal Service's current business rationale for continuing to incur substantial losses on Standard Mail Flats, and explain how such continuous losses are lawful under Title 39 of the U.S. Code.

- 4. In the proposed market dominant price adjustment (Docket No. R2015-4), the Postal Service has noticed an increase for Standard Mail Parcels of almost 9.8 percent, while the increase noticed for Standard Mail Flats is under 2.5 percent. If the Postal Service increased the price of Standard Mail Flats by 9.8 percent annually, how many years would it take for the Standard Mail Flats subsidy to be eliminated:
  - (a) If there were no further increase in unit cost?
  - (b) If unit costs increase at the rate of 1.5 percent per year?
- 5. Please explain whether a Standard Mail Parcels price increase of 9.8 percent is expected to result in rate shock to mailers who use that product? If so, why is this acceptable to the Postal Service?
- 6. Of the volume loss of Standard Mail Flats in FY 2014, how much was due to any underlying long-term trend, how much was due to the January 26, 2014 price increase (consisting of both exigent price changes that were made in Docket No. R2013-11 and the CPI price changes that were made in Docket No. R2013-10), and how much was due to other factors?

Respectfully submitted,

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